

UNITED STATES DEPARTMENT OF STATE  
BUREAU OF POLITICAL-MILITARY AFFAIRS  
WASHINGTON, DC 20520

In the Matter of:

\_\_\_\_\_)  
THE DIRECTV GROUP INC. )  
HUGHES NETWORK SYSTEMS INC. )  
\_\_\_\_\_)  
Respondents )  
\_\_\_\_\_)

ORDER

WHEREAS, the Directorate of Defense Trade Controls, Bureau of Political Military Affairs, United States Department of State (the "Department"), has notified The DIRECTV Group Inc., ("DTV") and its wholly owned subsidiary, Hughes Network Systems Inc., ("HNS") (together, the "Respondents") of its intention to initiate an administrative proceeding against it pursuant to the Arms Export Control Act (the "Act") (22 C.F.R. § 2778 (e)) and its implementing regulations, the International Traffic in Arms Regulations (22 C.F.R. § 120-130) (the "Regulations").

WHEREAS, the draft charges are based on allegations that the Respondent HNS violated Section 38 of the Act (22 U.S.C. § 2778) and § 127 of the Regulations and are more particularly set forth in a Draft Charging Letter issued to the Respondents on January 6, 2005, attached hereto and incorporated by reference herein, in connection with the unauthorized export of technical data, defense services and defense articles to foreign person employees to include those of proscribed countries and other matters set forth therein concerning their business activities;

WHEREAS, the Department, and the Respondents have entered into a Consent Agreement pursuant to Section 128.11 of the Regulations (attached hereto and incorporated by reference herein) whereby the Department and the Respondents have agreed to settle this matter in accordance with the terms and conditions set forth therein;

IT IS THEREFORE ORDERED,

FIRST, that the Respondents shall pay in fines and in remedial compliance measures an immediate civil penalty of \$5,000,000 (five million dollars), comprised of the amounts stipulated herein and in paragraphs (a) and (b), below, in complete settlement of the alleged civil violations pursuant to Section 38 of the Act arising from facts which the Respondents have disclosed in writing to the Department or that have been identified in the Department's Draft Charging letter. This civil penalty shall be payable as follows:

- a. DTV shall pay a fine of \$4,000,000 (four million dollars) divided as follows: \$1,000,000 (one million dollars) shall be paid by DTV to the Department of State within 10 days of the signing of this Order; \$1,000,000 (one million dollars) per year shall be paid by DTV in installments payable on the first, second, and third anniversary of the signing of this Order to the Department of State. The Respondents agree that the effect of any statutory limitation to the collection of the civil penalty imposed by the Consent Agreement and this Order shall be tolled until the last payment is made and all terms of the Consent Agreement are satisfied.
- b. The rest of the civil penalty consisting of \$1,000,000 (one million dollars) is hereby assessed for remedial compliance measures at HNS and its subsidiaries. HNS will apply this amount over a three (3) year period for the purpose of defraying a portion of the costs associated with the remedial compliance measures specified in the Annex of Compliance Measures. HNS will provide annually to the Department on the anniversary of this Order a written accounting (s) of the expenditures associated with this penalty assessed for remedial compliance measures, as specified in the Annex of Compliance Measures. This written accounting of expenditures also will be certified by DTV.

SECOND, any failure by HNS to apply funds appropriately for the required purposes cited in paragraph (b) above for remedial compliance enhancements or to provide a satisfactory accounting shall result in HNS being required to pay immediately to the Department the balance of their assessed civil penalty for remedial compliance measures. HNS is precluded from applying the amounts expended for remedial compliance programs as costs in any contract with any agency of the U.S. Government, either as a prime contractor or indirectly as a sub-contractor. In the event HNS violates this prohibition, the Department will deem it a "failure to apply funds appropriately for the required purposes" as specified above. As enumerated in paragraph (b) above, the accounting shall be accompanied by individual statements from each Respondent that the expenditures meet the requirements of paragraph (b) and also certify that these expenditures have not been billed to or recovered from the U.S. Government as reimbursable costs allocated to any U.S. Government contract for reimbursement.

THIRD, the Respondents shall institute the compliance measures in the Consent Agreement and the Annex of Compliance Measures, and shall do so within the deadlines established therein.

FOURTH, that the Draft Charging Letter, the Consent Agreement, the Annexes of Compliance Measures and this Order shall be made available to the public.

This Order becomes effective on the day it is signed.



Rose M. Likins  
Acting Assistant Secretary for  
Political-Military Affairs  
Department of State

Entered this 26<sup>th</sup> day of January 2005